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In This Issue

The Importance of Adequate Administrative Control, By DWIGHT FARNHAM.

The Management Index

Abstracts and Descriptive Notes of Company Activities Including

Financial Management

Production Management

Insurance

Public Relations

Office Management

Marketing Management

Survey of Books for Executives

Consumer Engineering, ROY SHELDON and EGMONT ARENS.

The Problem of Unemployment, PAUL H. DOUGLAS and AARON
DIRECTOR.

The Trained Woman and the Economic Crisis.

Bank Administration, JAMES B. TRANT.

and others

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The MANAGEMENT REVIEW

May, 1932

The Importance of Adequate Administrative Control *

By DWIGHT FARNHAM, *Manager, Industrial Department,
Peat, Marwick, Mitchell & Co.*

Industrial Management During the Depression

AT THE present moment industrial and commercial organizations, financial institutions and transportation companies are laboring under the most serious strain of all time. Fundamentally this is the result of the greatest of all wars, during which for over five years the world's capital and its productive capacity were destroyed in unprecedented quantities. We are now engaged in replacing this capital by hard work and by practicing economy and efficiency. During this period the wise, the strong and the thrifty will survive. This applies to corporations as well as to individuals. Meantime management is on trial.

No government, corporation or individual can exist indefinitely on credit. Continued existence, as well as credit, depends upon the maintenance of expenditure within the limits of income. Otherwise indebtedness increases, credit diminishes and bankruptcy results. In other words the budget must be balanced. There are two ways of doing this:

1. By increasing income
2. By decreasing expenses.

Both of these expedients present complications. The simpler forms of retrenchment such as ruthless wage cuts and drastic reductions of operating and capital expenditures still further reduce the purchasing power of a public already suffering from loss of capital and of income. Retrenchment carried

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to an extreme seriously impairs the vitality of an organization and weakens its power of recovery. Great intelligence is required to draw the line between necessary economy and destructive retrenchment. In a time like the present there is a vital necessity for exhausting every possible method of increasing income before carrying retrenchment to the point where it threatens destruction. From every depression there have emerged corporations and individuals strengthened by the ordeal by fire which has consumed the false and the inadequate. Good management is now at a premium and the surviving type of manager is the man who decreases expenses to the limit beyond which retrenchment becomes destructive, analyzes his field of constructive activity, formulates a wise business policy and then coordinates and inspires his entire organization for a supreme and sustained effort to increase income.

Early in the last century when a master workman or a merchant and his few assistants constituted a business, whose extent was limited to a few square miles by the difficulties of transportation and communication, personal experience, slowly absorbed by the owner in the course of his lifetime, was sufficient guide to business policy. As the speed of transportation and communication increased the size of markets and of industrial and commercial units increased. Markets became national and international. One man's lifetime became too brief to absorb a knowledge of the needs and desires of millions governed by vast differences of environment, climate and social history. Organized research became necessary to determine the materials and products best adapted to satisfy these needs and desires and to determine the most effective method of presenting the materials and products required.

The need for research has increased as distribution has widened and the size of the industrial and commercial unit has increased. Research has bred new materials and new products which in turn have bred further research. The field of research has extended from the material and the product to the market, to methods of presenting the product, to methods of creating needs and desires and to methods of controlling the business. A definite technique of research has developed in each of these fields. Experts in the application of this technique have developed professions, each one with its literature and its places of meeting. When this technique is properly applied facts are developed which enable the management of an industry to formulate policies of operation which are infinitely more sound than policies reached by argument or by the exercise of arbitrary power. And there has never been a time in the history of business when sound policies of operation were so essential as at present.

Analysis of Management

As the need for research has increased the functions of management have become more clearly defined and the functionalization of manage-

ment has increased. At the present time it is generally agreed that management may be separated into two principal functions:

1. **Administrative Management**—which is principally concerned with the determination of policies and methods of operation on a basis of facts collected in accordance with an established technique.

2. **Executive Management**—which is principally concerned with the motivation of the organization to make effective the policies decided upon.

Once the policy or method is determined by means of the exercise of the administrative function, the organization is inspired to carry out this policy by means of the exercise of the executive function. The administrator collects and analyzes the facts, the executive is the practical psychologist who applies the stimulus to the personnel of the organization required to obtain the coordinated team play necessary to secure the best results.

Administrative Management and Research. Administrative management then is concerned with the collection, classification and analysis of facts, with the interpretation of these facts in the light of sound business judgment and with the formulation of wise business policy. Since the collection, classification and analysis of facts are matters of pure research it is quite evident that research constitutes a very important part in modern management.

Both administrative and executive management exist throughout all the subdivisions of management. In the paragraphs which follow the application of the administrative function is indicated in the three principal divisions of:

1. Financial Management
2. Sales Management
3. Production Management.

The capital letters in brackets following each activity described refer to explanatory notes placed at the close of each subdivision.

Application of Administrative Research to the Three Principal Divisions of Management

1. **Financial Management.** In this division administrative research includes:

a. **Accounting**—which is concerned principally with the preparation of the balance sheet which is the statement of assets and liabilities, with the profit and loss account which is the statement of earnings and with the books and accounts required for their preparation. [C]

b. **Financial Analysis**—which is concerned with the control of financial management through the analysis of balance sheets and profit and loss accounts by means of ratios and operating percentages.

c. **Cost Accounting**—whose object is to secure and maintain a minimum cost of manufacture, of sales and of administration by means of the compari-

sons of actual costs of operation with carefully determined standards. [C]

d. Budgeting—which is concerned with balancing income and expenditure for the purpose of maintaining a margin in favor of the former. [C]

e. Economic Research—which covers the collection and analysis of statistics in regard to all important matters having a bearing upon the business which must be given consideration in connection with the formulation of financial policy. Under this heading may be included estimates of the profitability of new ventures and similar matters involving financing. [C] In certain of the larger companies the economist is a highly paid specialist who reports direct to the general management.

NOTE: The comptroller [C] is usually responsible for the activities described above and for the presentation to the management of the related statements and reports required for administrative control. From a financial standpoint the comptroller is fundamentally responsible for "recording" while the treasurer is responsible for "safeguarding."

2. Sales Management. In this division are included:

a. Market Research—which is concerned with the preparation of statistics showing the number, purchasing power and varieties of the population forming the existing or potential market for the products of the company, the transportation facilities, the geographical divisions, climatic conditions and the like. [M.A.]

b. Customer Analysis—which is concerned with the determination of the requirements, present or potential, of various classes of customers, with their preferences and with their possibilities as distributors or consumers of various sorts, qualities and priced goods, whose distribution the company undertakes or may undertake. Customer analysis usually includes also an historical examination of past and present customer accounts. [M.A.S.C.]

c. Fashion Research—which is concerned with the determination of existing fashions of goods required and of the probable future trend. [S.A.M.]

d. Product Analysis—which is concerned with the analysis of the company's products to determine their conformity to the requirements disclosed by a., b. and c. and with possibilities for improvement. [T.S.A.M.]

e. Package Analysis—to determine the most attractive method of presenting the product. [S.T.A.M.]

f. Distribution Analysis—to determine the most effective method of distribution—through jobbers, retailers, direct, etc. [M.A.]

g. Competitive Analysis—which is concerned with the analysis of competitors' products, policies, methods and activities. [M.A.]

h. Sales Analysis—which is concerned with the analysis of present and past sales, geographically, by population units, territories, salesmen, by classes of outlets, by classes of consumers, by classes of goods and by seasons. [C.M.]

i. Analysis of Sales Expense—which is concerned principally with

salesmen's expense accounts, the remuneration of salesmen, cost per call, cost of supplies, of communication, etc. [C]

j. Advertising Research—which is concerned with the most effective method of informing the customers comprising the company's market of the existence and desirability of the company's product. This involves the analysis of advertising mediums, dealer helps, educational material, the preparation of copy and the coordination of advertising with sales activities. [A.M.]

k. Establishment of Sales Quotas—which involves the setting of standards of sales volume by territories after giving consideration to all the facts disclosed by the various analyses described. [M.C.]

Many of the activities described (a to j) are often covered by the term "merchandising" which is used somewhat loosely to indicate the purchase or manufacture of goods which the public will buy and the effective presentation of such goods to the public, often without a very definite idea of the method of arriving at such knowledge.

NOTE: The comptroller is usually responsible for the maintenance and presentation of certain basic records required in connection with the above activities marked [C] and is in contact with most of the others through costs, budgets, estimates, etc.

The market analyst is usually responsible to the sales manager for all or part of those activities marked [M], the advertising counsel for parts of those marked [A], the stylists for those marked [S] and the technical engineers (chemists, mechanical engineers, etc.) for those marked [T].

3. Production Management. In this division administrative research includes:

a. Technical Research—which is concerned with the chemical, physical and mechanical analysis of materials and products, in order to maintain quality, to develop new products, and to reduce production costs. [T]

b. Plant Standardization—which is concerned with the determination of the most effective buildings, machinery and equipment and with their arrangement to the best advantage to serve the purpose for which they are intended. [T.I.]

c. Labor Standardization—which is concerned with the determination of the amount of work required to perform stated operations, with the determination of the training, qualities, etc., which best fit an operative to perform such work and with the provision of proper incentives to insure its most effective performance. [I.P.]

d. Production Control—which is concerned with the determination of the most effective way of combining plant, materials and labor for purposes of production and with providing for the continuation of such combination in order to insure minimum cost of production, maximum quality and delivery, as required, of the finished product. [I.T.P.C.]

Note: Technical engineers are responsible in whole or in part for activities marked [T], industrial engineers for those marked [I] and personnel men for those marked [P]. The comptroller is in contact with all of them in connection with costs, budgets, payrolls, estimates, etc.

Administrative Control

All of these activities involve the collection, classification and analysis of facts. When the conclusions reached, together with the supporting data, are reduced to writing in the form of reports, records, charts and/or manuals, they form the basis of administrative control since they represent the facts required by modern management for the formulation of intelligent policies of operation. The need for such information as we have outlined is too well recognized by the more progressive industries to require further advocacy. In times like the present the less progressive are discovering the need for the essential facts by bitter experience.

Type of Man Required

The type of man required to organize administrative control is the man with the factual mind—the man who can collect, test, classify and analyze facts. This requires training in research such as is acquired by the engineer and the accountant.

Although a complete knowledge of accounting or of any branch of engineering may rightly be considered a life's work, nevertheless the president of a modern corporation must make daily decisions based upon the reports of engineers and accountants. The information received from the specialists in the financial, sales and production departments must be coordinated. The president must be assured that one report does not contradict another. He must be sure that the figures presented are correct. He must know what effect action upon a basis of a report originating in the production or sales department will have upon assets, earnings and financial conditions. Furthermore in order to avoid unnecessary expense he must see that figures are not duplicated in several departments.

Making One Department a Clearing House

Finally, the president of a great corporation must deal directly with as few subordinates as possible in order so to conserve his time as to enable him to give careful and unhurried thought to the larger problems of his business and to maintain personal contacts with the leaders in industry and finance. As industry has grown there has been a distinct trend toward making one department a clearing house for a considerable portion of the administrative control data from the financial, sales and production departments.

The Comptroller's Part in Administrative Control

The department selected has quite naturally been that of the comptroller for several reasons which may be briefly stated as follows:

1. The president of a large corporation is responsible to his directors and stockholders for the property entrusted to him and for the earnings of

the business. Since directors and stockholders judge him principally by the facts presented in the balance sheet and the profit and loss statement, he watches these statements and the subsidiary statements prepared by the comptroller's department very closely.

2. Since such statements are examined and commented upon annually by professional accountants, the president comes to rely quite naturally upon the correctness of the figures presented by the comptroller's department.

3. Accounting and cost accounting cover every phase of the business so that when figures relating to any portion of it are required, the president naturally turns to the comptroller's department.

4. The budget and the financial analysis which govern the operation of the business are prepared in the comptroller's department. Unless the company has an economist most of the economic research is likely to be done in the comptroller's department, including estimates covering new ventures.

5. Certain figures essential to administrative control in the sales department are prepared in the comptroller's department such as those required for the sales analysis (2h), for the analysis of sales expense (2i), for the establishment of sales quotas (2k), and some of those required for customer analysis (2b).

6. Certain figures essential to administrative control in the production department are usually prepared in the comptroller's department such as those pertaining to the cost of technical research (3a), of plant standardization (3b), and of labor standardization (3c).

7. The preparation of figures by the comptroller's department, which is equipped for such work with machines and trained personnel, does not detract from the prestige of other departments, provided the matter is handled diplomatically and the comptroller possesses sufficient knowledge of the needs and general operation of the sales and production departments to cooperate to the advantage of all concerned.

The Need for the New Type of Comptroller

The type of comptroller we have described, who can insure the prompt and accurate presentation of the coordinated facts and figures required for effective administrative control, is a somewhat recent development, although the need has existed for a considerable period. His arrival was delayed by the idea which was prevalent before the rise of the great corporation, that a comptroller was a sort of head bookkeeper who must know every detail of bookkeeping. The belief also existed that such a man must necessarily be so specialized and narrow in his outlook that he could not possibly understand the larger problems of the business which arise in connection with sales, production and finance.

Increased Interest in Accounting

This idea is gradually disappearing especially in the more progressive corporations where the value of research has been demonstrated and the necessity for the accurate economical and coordinated reports required for adequate administrative control has been proved. Another constructive factor has been the increased interest in accounting and its study by men of greater education and of higher calibre.

A thorough knowledge of the principles of accounting is a necessity for the successful comptroller. A knowledge of the principles of finance, sales and production is also necessary if the comptroller is to occupy the position described and act as the chief executive of the department which supplies the management with the facts necessary for adequate administrative control.

The men occupying such positions have reached them through the accounting and auditing department, through the sales department and through the production department. They are former accountants, former industrial and technical engineers and former market research men. Accounting has become an important part of the curriculum in our schools of business administration and college graduates are joining accounting firms to learn the essentials of business. Conversely, accountants are taking a greater interest in finance, sales and production. Only recently, in response to a recognized need for a clearing house for ideas among such men, a Comptrollers' Council was organized as a division of the American Management Association.

One of the Most Important Factors in Management

The type of comptroller we have described has become one of the most important factors in management. He is the man who can supply the facts. His business judgment has improved as his outlook has broadened. He has become the right hand man of the president in all matters pertaining to the formulation of general policy affecting earnings and assets. He supplies much of the data required for the administrative control of sales and production. He prepares the budget. He is becoming the financial authority in the organization, on a par with the sales manager and the manufacturing manager, and as such is quite as likely to become a vice-president. His advent marks definitely the transition from management based upon opinion, argument and prejudice to management based upon facts. And never in the history of American business has there been a greater need for management based upon facts, reason and wisdom.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Management and Corporate Character

The basic components of executive management, states the president, Westinghouse Electric & Manufacturing Company, are not elusive elements, but rather "horse sense, hard work and a thorough knowledge of the business." Discussing management's responsibilities, he describes the Westinghouse industrial relations program, which is founded upon the belief that human values, "such as enthusiastic interest, cooperation and loyalty of workers cannot be paid for in money alone." By F. A. Merrick. *Executives Service Bulletin*, March, 1932, p. 5:2.

Budgetary Procedure As a Means of Administrative Control

Five major groups or types of budgetary procedures, classified according to objectives aimed at by management, are: the cost control type; the sales promotion type; the financial type; the management or executive type; and the analytical accounting control type.

It is predicted that during the next five years numerous experiments will be made in the larger businesses for the purpose of applying the accounting control type of budgetary procedure to general overhead. From this experimentation there will eventually be produced something of permanent value, so that more businesses will be inclined to follow the pioneers, and the result will be a standardization of all costs and expenses, even management costs. But this last step in the development of budgetary procedure will not come until

boards of directors and the owners of businesses themselves are willing to set standards for management. By E. L. Theiss. *The Accounting Review*, March, 1932, p. 11:11.

Indexes of the Physical Volume Production of Producers' and Consumers' Goods

Two sets of measurement are presented in this paper: an index of the volume of producers' goods and an index of the volume of consumers' goods, for the years 1919-1929. A combination of these two measurements produces an index of manufactures. The statistical methods whereby these indexes are computed are explained. By Y. S. Leong. *Journal of the American Statistical Association*, March, 1932, p. 21:16.

General Motors Budgetary Control

In order to determine consumer demand for the automobile industry as a whole, General Motors receives each month a summary of new car registrations, by states, for each line of cars sold in the United States. This monthly report is received within thirty days after the close of each month, and enables a running check to be kept upon the sales performance of the General Motors cars as related to the rest of the industry. In addition to the reports which are concerned primarily with consumer demand, each division reports to the central organization daily concerning its sales, production, cash position, and accounts payable outstanding. Based upon

these daily reports, a summary balance sheet and income statement for the corporation as a whole is prepared daily. Each operating unit prepares monthly financial and statistical reports. A consolidated balance sheet and income statement is published quarterly.

The foregoing reports, together with other statistical statements prepared by the operating units, serve as a basis for the immediate projection of operations into the future. This short-term forecast considers operations for the current and the three following months. The primary purpose of the forecasting program is the proper adjustment of production to consumer demand. How this adjustment is accomplished is carefully explained. General Motors' long-term planning technique and its methods of determining standards through annual budgeting are also described in detail. By F. G. Donner. *The Accounting Review*, March, 1932, p. 22:9.

How Scientific Management Has Improved Realty Bond Values

Examples of improved management methods which have been used with good results with "sick" buildings are presented. Changes in the leasing policy in operation, in contracts, and the like, have not only increased occupancy but have cut costs of physical operation and have increased net returns. By P. J. Davies. *The Bankers Monthly*, April, 1932, p. 215:4.

Twenty Ways to Make Profits

Nineteen thirty-one was a year of grief, yet the high percentage of surviving firms offers encouraging reason to believe that mourning does not become America. Of the 2,125,288 concerns in business only 28,285 failed—1.33 per cent of the total. Not only were many houses able to keep going, but many actually did better than in 1930. How this was accomplished by such companies as the Johnson Educator Food Company, the A. B. Chase Co., the Western Clock Co., the Philco Co., Auburn Auto Co., the Chrysler Corp., Seiberling Rub-

ber Co., Masonite Corp., Congoleum Nairn, the Kellogg Co., Mohawk Carpet Co., U. S. Tobacco Co., etc., is told. The accumulating evidence defines 1931 as a difficult year for the business equipped with old ideas. It was a good year for old faiths plus new ideas. By Raymond Willoughby. *Nation's Business*, April, 1932, p. 17:5.

Public Oath for Directors

A plan which increased the confidence of customers and stockholders and brought added deposits to a bank consisted of the following points: 1. Stockholders were invited to bring neighbors and friends to the annual meeting; 2. Election of directors took place at this public gathering—with every chair filled; 3. The oath of office was read to the directors as they stood on the stage with their right hand raised; 4. The directors signed the oath of office in this confidence-inspiring ceremony; 5. Directors were taught banking principles in weekly meetings; 6. The bank's statement for the day was posted on a blackboard with an older one for comparison; 7. Directors were asked to help in the collection of past-due notes; 8. Directors were asked to spread constructive news about the bank in the community. By Jack Bernhardt. *The Bankers Monthly*, March, 1932, p. 139:2.

Causes of Business Failures and Bankruptcies of Individuals in New Jersey in 1929-30

This report on the causes of bankruptcies and other business failures contains the results of a study made in 1929 and 1930 cooperatively by William Clark, United States District Judge of New Jersey, the Institute of Human Relations and the School of Law of Yale University, and the Department of Commerce. Six hundred and twelve cases were covered. Of this number 487 were business establishments and 125 were wage earners and professional persons. Included in the business group were 102 contractors, 8 farmers, 28 manufacturers, 33 real estate dealers, 301 retailers and 15 wholesalers.

The survey shows that more failures resulted from inefficient business methods and practices than from any other cause. More than half of the concerns studied either kept no books at all or kept inadequate records, and 39 per cent of them never took an inventory. Poor credit methods were evidenced by excessive losses from bad debts. The average open-credit

losses of retailers were eight times as great and the average instalment credit losses five times as great proportionately as those of going concerns. Some of those who failed engaged in speculation outside of business, and others speculated unwisely in carrying on their regular business. *Domestic Commerce Series No. 54, U. S. Dept. of Commerce, 1931, 27 pages.*

FINANCIAL MANAGEMENT

Profits and Surplus Available for Dividends

The predominant legal opinion in regard to some of the more important phases of the problem of determining the profits and surplus available for dividends is indicated and the validity of these opinions from the standpoint of accounting theory and practice is discussed. Such important matters are considered as: general rule that a dividend can lawfully be declared only out of profit; appreciation; depreciation; depletion; presence of deficit from prior years; dividends out of past earnings; dividends out of contributed capital surplus; accruals; borrowing money to pay dividends. By Perry Mason. *The Accounting Review*, March, 1932, p. 61:6.

What Actually Happened to Banking In 1931

The figures which are reproduced in this article indicate the basic strength of our banking system and the kind of managements it produces. During 1932, only about two per cent of bank resources were tied up in closings. Approximately \$1,326,000,000 was recovered for depositors as compared to about \$37,650,000 recovered for creditors of bankrupt business houses. It has been estimated that business bankruptcies are returning only about five per cent, whereas bank closings are eventually liquidating 88.4 per cent. More banks were reopened in 1931 than in 1930.

More new banks were organized in 1931 than in 1930. *The Bankers Monthly*, February, 1932, p. 75:8.

Holding Companies

Much of the spoliation of the private investor during the recent debacle has involved the use of the legal device—the holding company. Although the holding company has many merits it is accountable for some of the worst evils which obtain at present in the public utility field. Careful supervision of holding companies by the Federal Government is regarded as imperative by the author who suggests immediate legislation to this effect. By Professor William Z. Ripley. *The New York Times*, April 3, 1932.

We Have No Lazy Loan Dollars

The criticism which has been levelled at bankers during recent months, that they have prolonged the depression, is not valid. While it is true that commercial loans have decreased, the working dollars have become more efficient through the decline in commodity prices. It is for this reason that the idle dollars were displaced from their customary employment. If there is a demand for inflation, and inflation has in the past served some useful purposes, then it should be done by some agency aside from commercial banks. If there is a method that can be found by which business can be improved and unemploy-

ment relieved, then that too should be followed, but this again is not within the province of the commercial bankers. The banker has done his full share by loaning to business all that might reasonably be expected. Additional loans must await either a resumption of activity or an increase in commodity prices. To act otherwise would be to violate the canons of safe banking. By John A. Moffitt. *The Burroughs Clearing House*, March, 1932, p. 12:2.

Standardize the Gold Standard!

The extreme decline of commodity prices which now convulses the economic world was unnecessary. It has come about from a refusal on the part of central banks to make the gold standard function in the way in which it is intended to function. The central banks, including the Federal Reserve, have refused to use the credit and gold mechanism to combat the force of industrial disorganization. The use of gold to combat deflation requires piling up inactive reserves of gold to the account of interior banks until they are willing to make them active by reversing the hoarding and liquidating mania. To mobilize or not to mobilize gold in this manner is a decision which central banks have to make. The stage has finally been reached where either the central banks must act or greenbackism, free silverism and a host of other isms will stalk into Congress and will even make a Presidential issue out of the question. Let gold do its normal work. Make the gold standard function. Could anything be more orthodox, more conservative, more harmless? By Lionel D. Edie. *Credit and Financial Management*, March, 1932, p. 9:2.

Relation of Bank to Embarrassed Debtor

An embarrassed debtor may be defined as a firm which is unable to pay its obligations and whose financial condition is such that the bank thinks some action should be taken other than renewal of the loan. An investigation is outlined which

will secure information as to whether there ought to be 1. a change in policies of the firm; 2. a change in the management of the firm; or 3. the establishment of a receivership. A method is indicated of interpreting and applying the information received through the type of investigation which is outlined whereby a decision may be made concerning what action should be taken.

While the investigation which is outlined is designed especially for a bank, it will prove of value to financial executives and to other officials, enabling them to make an appraisal of the operation of their own firm both concerning financial position and financial requirements and other factors such as personnel, methods and procedures, facilities, policies, etc. By James O. McKinsey. *The Robert Morris Associates Monthly Bulletin*, February, 1932, p. 189:7.

The Relation of Cost Accounting to the Budgetary Control Problem

By Arthur W. Hanson. *The Accounting Review*, March, 1932, p. 34:4.

Rights, Stock Dividends, Warrants and Split-Ups

One of the chief characteristics of the period of stock speculation that culminated in the autumn of 1929 was the frequent use by corporations of the four financial devices known as rights, stock dividends, warrants and stock split-ups. These instruments, although not uncommon in periods prior to the last bull market, attained their greatest importance during that time. Achieving the popularity they did at a time when markets and financial structures already presented many complications, these devices served further to confuse an already bewildered investing or speculating public. In these series of articles the subjects of subscription rights, stock dividends, warrants and split-ups are considered from the point of view of the individual investor. Just what such

developments do and do not mean to the individual investor is explained. Popular fallacies concerning the value of these devices are disproved. By Clifford B. Reeves. *Reprinted from the New York Evening Post*. Jan. 19-24, 1931.

Right Securities Analysis Pays

The staff of analysts of the First Wisconsin Trust Company checks and an-

alyzes four times a year each issue contained in any trust in the bank's charge. It likewise checks and analyzes each trust at least four times a year. If any danger flag is disclosed the matter is investigated with the utmost thoroughness. The analysis staff is admittedly expensive but saves trust estates many times its cost each year. By Hugh W. Grove. *The Burroughs Clearing House*, February, 1932, p. 15:2.

Insurance

The Professional Insurance Analyst

A description of the type of service offered by the professional insurance analyst to companies that rely upon a broker or agent to interpret their insurance requirements instead of including within their own organizations someone who is versed in the technicalities of insurance. The author, an insurance analyst, points out the disadvantages of assigning the task of reviewing the coverage carried to the brokers or agents through whom insurance has already been placed or to their competitors. Attorneys' services are likewise limited because of lack of knowledge of the insurance rules of practices in force at the location of the insured property, these rules differing greatly in the various states.

The insurance analyst has no insurance to sell and no brokerage connections. Consequently he is in a position to give intelligent, unbiased advice. A number of specific examples are given to show how this service has resulted in improved coverage. By H. J. Vogel. *Credit and Financial Management*, February, 1932, p. 14:4.

"3 M" Unemployment Benefit Plan

On January 1, 1932 the Minnesota Mining and Manufacturing Company put into effect its unemployment benefit plan. The notable features of this plan include a

reserve financed from company appropriations at all times except in an emergency so extreme as to make such financing impossible, when specified deductions may be made from the salaries and wages of those working for the continuance—during the emergency period—of the relief to those not working; the limitation of the benefits to a certain number of weeks per year from a reserve sufficient to pay the benefits capable of anticipation over a five-year period; and the provision that the plan will be discontinued if a tax-supported dole, benefit or other form of unemployment relief is instituted by the Federal government or by any state in which the company pays taxes. The plan is given in detail. *Industrial Relations*, January, 1932, p. 14:3.

Group Insurance

A study of 200 employer experiences with group insurance, over a period of several months, warrants the following conclusions:

1. Group life insurance is undoubtedly one form of cooperative effort whereby the employer may be of real benefit to the employee and his family;
2. Other group policies, such as group disability insurance, offer advantages similar to the group life policy, when not already anticipated by mutual aid societies;
3. The contributory type of policy, under which the employees pay a portion of the premium,

is more generally satisfactory and less likely to be abandoned than is the non-contributory type of policy; 4. While group insurance has some tendency to bring about more harmonious industrial relations, there is no reliable evidence to show that it has any material effect in reducing labor turnover; 5. Group insurance, in order to accomplish the benefits in industrial relations of which it may be capable, requires a continuous campaign of education and publicity which must be supported by the enthusiasm of the management. General characteristics of plans

in use derived from an analysis of the group policies of the eight largest group writing companies are given. *Industrial Relations*, March, 1932, p. 140:2.

Unemployment Prevention, Compensation and Relief

A second supplement to the selected bibliography of company, trade union and public programs prepared September, 1931. Prepared by the Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, January 28, 1932.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Present Problems Demand An Adjusted Office Viewpoint

An urgent need exists at this time for an attitude of mind that will capitalize on those lessons we have learned from the business crisis we have been passing through, for a viewpoint which accepts the idea that these are normal times and that we must meet the conditions as they now exist. If business conditions improve, as we sincerely hope they will, we shall be that much better off.

Our offices have adopted too many frills. We must get back to fundamentals. In cutting out these frills we may find some major operations necessary. The management can and must play an important part in working toward adjusting the viewpoint of the entire organization, not only by presenting the need forcibly, but by setting a vigorous example as well. The emergencies of the present, plus the fear of unemployment, have corrected many of the dangers of specialization. We should strive to maintain these advantages.

The budget as applied to office work is a highly effective tool of management. The

"cost conscious" attitude that emphasis on the budget has created is an important asset to any organization. The budget sets the goal, offers the incentive and, with proper administration, will do more to keep the ultimate aim of all business, namely profits, before the organization, than any other single factor. By I. J. Berni. *Quarterly Bulletin N. O. M. A.*, April, 1932, p. 9:9.

How We Reorganized the Office to Improve Purchasing Efficiency

In order to put the purchasing department on an efficient production basis the Los Angeles Bureau of Light and Power entirely reorganized the office set-up by assigning to the various individuals definite duties and responsibilities. The set-up operates in a manner which increases the purchasing agent's capacity for close supervision while at the same time he is rid of the many details which formerly made his job an extremely laborious one and allowing him to contact with sales representatives. The new set-up is explained. By J. K. Novins. *The Office Economist*, February, 1932, p. 3:2.

An Unemployment Relief Plan That Helped Office Efficiency

The Paraffine Companies, Inc., developed a plan for relieving unemployment which has worked greatly to the benefit of that organization's office. The plan is intended to provide temporary employment either in the plant or in the office for those of the company's employees laid off from their regular productive activities owing to seasonal depressions. A fund to which both employees and the company contribute according to a scale based on

earnings of the individual employees makes this possible. This fund is not distributed as a dole to the unemployed but is used rather to rehire the temporarily unemployed for non-profit duties in the plant and office. In the office a large number of them have been used to overhaul the office system. As a result considerable improvement has been made in bettering filing efficiency, speeding up correspondence, and in the general appearance of the executive offices. An interview with Lloyd Greenville by James Norton. *The Office Economist*, April, 1932, p. 3:4.

Records: Forms, Charts, Cards, Files, Statistics

A Record That Shows Progress At a Glance

An explanation of a method of charting for future reference the progress of an operation, which is simple and yet not open to objection on the score of limitation of scope.

The general idea is that of a clock-wise movement of lines drawn from the center to the sides and corners of squares as indications of the various stages of any job, order, treatment, etc.

Eight stages can be shown by the simple means of drawing a "hand" from the center to the point indicated by the key, which is printed at the foot of each chart. These are usually sufficient, but additional signs, such as filling in a square wholly or partly in black or a special color or by lines drawn horizontally or vertically along the sides of the square can be adopted. A promise of despatch, for example, or any other due date can be shown by a dotted line, so that when the promise is fulfilled the dotted line can be drawn in solid, and if the agreement has not been carried out this error will be shown on the chart automatically. Inward and outward correspondence can, if required, be shown by an arrowhead pointing to and from the center respectively. These signs can be varied to suit the purpose for which the record

is being kept, and are not intended to be in any way arbitrary. The chart is illustrated. By Waldo Hutchinson. *The Office Economist*, April, 1932, p. 7:1.

Belt Conveyors Speed Paper-Work Flow

In its San Francisco office Western Union demonstrates how to attain speed and economy in the flow of papers. The office is threaded by a system of specially designed enclosed belt conveyors. Moving on a line centered on tables, the conveyor flows within reach of every operator, and, by a series of flumes, carries all entering messages to a distributing center.

An ingenious arrangement of the belting carries the telegrams across the main aisle. Going up-grade, the flow of paper is carried, not by one belt, but by two belts, which grip the telegrams between them. Throughout the office, the belt conveyors travel 250 feet a minute, each belt driven by its individual motor. *Management Methods*, April, 1932, p. 215.

Photography Cuts Accounts Receivable Costs

In the Oliver A. Olson Company (department store) the accounts receivable department receives from the auditing department each day the prior day's sales

checks, sorted alphabetically by controls accompanied by adding machine tapes listing total charge to each control. A clerk feeds the checks at the rate of 75 a minute into the hopper of a photographing machine that reproduces them in miniature on a ribbon type film. There is no posting to ledger cards. After being photographed the checks are immediately filed. Merchandise credit slips and remittances are also photographed, the former filed in the customers' files, and the latter sent to the cashier for deposit.

The only accounting operations required daily are the posting of adding machine tape control totals of sales check charges, merchandise credits, and cash remittances for each control to the control ledger, and posting customers' remittances to individual customers' accounts. Duplicates of the customers' monthly statements serve as ledger sheets to record credits for remittances. Customers' monthly statements are merely machine listings (in duplicate) on conventional statement forms of the sales checks from the files, old balances outstanding, and credits during the month, with resulting balance due. Each statement is then photographed with the supporting checks and slips. The original sales checks accompany the statements when they are mailed to customers. The company's record is the film.

Cost of operation of the photographic equipment, including rental of the machine and cost of film, is equal to about one-half month's salary of a competent clerk. A saving of filing space and a 70 per cent saving in cost of operation of accounts receivable department have been effected. *Management Methods*, March, 1932, p. 149:1.

"Bulking" Routine Reduces Cost

The more than 140,000 customers of the Puget Sound Power & Light Company, Seattle, pay their bills at some 250 local units of the company scattered over the greater part of Western Washington and a part of Eastern Washington. Yet virtually all the accounting is done at the central headquarters, where monthly statements are compiled and distributed. Machine accounting, ingeniously applied, has speeded the process to such an extent that it works at less cost and more efficiently than did the previous plan by which accounts were kept locally.

The procedure is explained. Briefly, it consists merely in the bulking of routine details at a central plant and, by means of machine accounting, speeding up work that was formerly done by hand at the local units. *Management Methods*, April, 1932, p. 213:2.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

"Normal" Cost—A Key to Stable Overhead Charges

It is a common complaint that overhead is high in dull times and low in boom times. Yet prices cannot follow the sharp up and down swings of overhead expenditures. The way out, the author states, is to establish a "normal" basis for charging overhead into costs.

The first step is to determine "normal"

plant operations—an average for a representative number of years—and then to ascertain the "normal" overhead charge. Applying this charge in flush times will result in building up an overhead reserve in excess of normal requirements. Applying it in dull periods will result in overhead deficits which will be deducted from the reserve.

Overhead expenses, states the treasurer, Cincinnati Planer Company, should not in-

clude the cost of carrying excess capacity. By Thomas B. Frank. *The Iron Age*, March 31, 1932, p. 765:3.

Accounting in a Carpet Factory

Some of the problems and procedures involved in accounting for the products of the Mohawk Carpet Mills, Inc., are discussed. By T. E. Brown. *N. A. C. A. Bulletin*, March 1, 1932, Sec. I, p. 875:7.

Business Revival Will Release Large Machine Tool Purchases

One impelling reason for buying plant equipment is to replace machinery that has been worn out. Another reason for purchasing equipment is to lower costs. The extremely low level of business in the

past two years has discouraged such expenditures. The tightness of credit has also been an impediment.

Now that tension in our banking situation has been relieved, the question arises as to what the accumulated equipment needs of our metal-working industries really are. Is it a fact, as has been alleged by popular writers, that pre-panic overexpansion of our plants was so great as to preclude active buying of equipment for years to come?

This survey indicates that as far as machine tools are concerned, the answer is no, that the accumulated requirements of American industry are large, and that their purchase merely awaits signs of business revival. By Russell J. Waldo. *The Iron Age*, March 24, 1932, p. 711:3.

Plant: Location, Lighting, Heating, Ventilation

Color Increases Shop Efficiency

In all manufacturing there are certain production assets whose merits are just beginning to receive due consideration. Lighting, even though its values are so obvious, is one. Air conditioning is another. Temperature control, the possibilities of windowless buildings, sound control, are others.

Color is the most recent element to be recognized as a possible means of improving procedure. Color has changed the aspect of the home production department because clever sales managers realize the truth of the adage that color in the kitchen makes it an easier place in which to work. So does color in the plant. With white walls doing all they can to aid lighting and seeing, colored machinery and equipment—in pastel tints—fit perfectly into the modern conception of a production unit.

How such organizations as The Simonds Saw & Steel Co., the Austin Co., the CeCo Company, E. T. Wright Arch Preserver Shoe Co., A. O. Smith and the New Jer-

sey Zinc Co., are making the most of color in their plants is recounted. By T. J. Maloney. *Factory and Industrial Management*, April, 1932, p. 139:4.

Organization for Maintenance

This issue devoted entirely to organization for maintenance includes: an outline of how maintenance was organized for incentive payment in the Corning Glass Works (including nineteen charts showing details of functional breakdown); an explanation of how Bigelow-Sanford Carpet Company reorganized its department for budgeting and scheduling maintenance; an explanation of the need for reserve appropriated from surplus during fat years to take care of necessary replacements during lean years; the story of how Elgin National Watch Company budgets maintenance expenditures. A check sheet for a plant survey which provides a detailed form which the maintenance engineer may make into a complete, concise report that will show exactly the condition of his plant is appended. *Maintenance Engineering*, March, 1932. 45 pages.

Reducing Noise of Machines

A description of a soundmeter for the routine noise inspection of cream separators, installed in the Milwaukee plant of The International Harvester Company with considerable satisfaction. By F. A. Firestone, F. M. Durbin and E. J. Abbott. *Mechanical Engineering*, April, 1932, p. 271:4.

Variations in Maintenance Costs and Procedure

Maintenance, as a function of plant operation, is often regarded by management as a necessary evil. It is too frequently considered to be non-controllable and is permitted to function independently within what are regarded as reasonable limits of expense. This paper presents an analysis of the ratio of the maintenance forces in 20 industrial plants. The authors give reasons for the discrepancies shown by the analysis. Illustrative charts indicate by the wide dispersion of ratios that there

is a large field for improvement in the general treatment of the maintenance problem. By E. V. Stoody and G. I. Ross. *Transactions of the A. S. M. E.*, April 15, 1932, p. 17:4.

How We Saved Money by Spending It

The modernization program of the American Manganese Steel Company described by the vice-president has been a broad one, including the installation of a new sand-handling system, complete revision of its pattern shop, replacing obsolete shop equipment with new, installation of a new oiling system, painting of buildings, and the carrying out of an intensive safety campaign, which has resulted not only in the purchase of modern safety equipment for workers, but also the installing of safety devices on machinery. Industry is definitely interested in the money-saving possibilities which industrial modernization carries with it. By Charles Fahlstrom. *Mill Supplies*, April, 1932, p. 7:3.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Proceedings of the Minnesota Conference on Unemployment Relief and Stabilization

This conference was called to consider two aspects of the unemployment problem: first, what are the best methods of meeting the relief needs during the present emergency; and second, what may be done in the way of long-time planning. Discussion was divided as follows: Administrative Problems of Unemployment Relief; Public Employment Exchanges; Stabilization and Unemployment Reserves; Individual Plant Management: Its Relation to the Causes and Problems of Industrial Readjustments; Individual Plant Management and Industrial Readjustments. Edited by Russell A. Stevenson. *Bulletin of the Employment Stabilization Research Institute, University of Minnesota*, Nov. 17, 18, 19, 1931. 95 pages.

Planning in Europe

In all countries of Europe the practical efforts toward economic planning have been confined within national limits. However it is clear that many of the problems within separate countries have international implications and aspects. As a result, there is considerable discussion of planning for Western Europe as a whole. There is also a proposal that the national economic councils of the different countries of Europe cooperate with the League of Nations in elaborating a basis for international economic planning.

The tendency in Europe for the time being seems to be towards the reorganization of economic life along national and regional lines. This tendency and the breakdown of *laissez faire* will make national economic planning more and more

the dominant organizing principle of economic life in the countries of Europe. By Lewis L. Lorwin. *Economic and Social Planning Course, Bureau of Personnel Administration*, February 25, 1932. 9 pages.

Constitutional and Legal Problems Involved in Developing Collective Planning

Not only must collective planning encounter traditional objectives growing out of the ideal of a society of freely competing self sufficient units; it must wrestle also with a more specific ideal of free competition and a distrust of cooperation and combination which have governed in the received common law tradition since the seventeenth century. The great difficul-

ties which business and industry encounter when modern business objectives are measured by the Sherman Anti-Trust Law are stressed as well as the difficulties which cooperative marketing organizations are encountering in the persistent disinclination of courts to measure the reasonableness of their regulations by the economic situation of the time and place. The significance of the Fourteenth Amendment and the need of making the legal profession and the bench conscious of the rôle of ideals in the judicial process are further considered in this paper by the Dean of Harvard University Law School. By Roscoe Pound. *Economic and Social Planning Course, Bureau of Personnel Administration*, March 17, 1932. 8 pages.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Improving Drafting Management

A system of improvement in drafting management extending over four years of experience in Westinghouse Electric & Manufacturing Co. is described. The use of these methods have cut drafting costs in half, while average salary rates have been increased, design quality has been improved, and drafting accuracy has been maintained. A feature of the plan is that each draftsman checks his own work, resulting in increased responsibility and improved accuracy. Record charts showing the results attained are given. By F. D. Newbury. *Transactions of the A.S.M.E.*, April 15, 1932, p. 9:8.

First—Careful, Thorough Preparation, Then the Wage-Incentive Plan

A manufacturer who does not develop and standardize on modern methods and equipment before adopting a wage-incentive plan, may increase production, states the general works manager, R. Hoe & Co., Inc., but rarely will this increase exceed 25 per cent of the potential. This com-

pany, to reduce costs, freed itself of the handicaps of unsuitable buildings, equipment and methods, adopted a wage-incentive plan based on these changes, thus increasing production 40 per cent. By A. J. Graf. *Executives Service Bulletin*, March, 1932, p. 3:3.

Small Plant Outwits Depression

Production has doubled each year since 1928 in the plant of the Silent Glow Oil Burner Corporation. The idea which has proved to be depression proof is an oil burner which converts a kitchen coal range into an oil stove. Mass production has been adopted and the process of manufacture described in this article involves some interesting operations. By H. R. Simonds. *The Iron Age*, March 3, 1932, p. 549:2.

Time Studies and Group Bonus

An explanation of a time and motion study made in an automatic screw machine department in a plant manufacturing electrical equipment, as a preliminary to the

installation of standard-hour rates. A year's operation of the installation showed production increased 30 to 35 per cent with four men fewer, the remaining men averaging an 18 per cent increase in earnings.

A substantial saving was effected, as well as decided satisfaction with the bonus on the part both of the men and management. By Thomas G. Laufer. *Factory and Industrial Management*, April, 1932, p. 164:2.

Training and Education: *Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards*

What We Try to Teach Our Foremen

The Burke Golf Company feels that every foreman should have a close working knowledge of the following items in order to be successful:

1. The nature of the work to be performed; 2. The tools and equipment with which it is to be done; 3. How this equipment should be operated and maintained;

4. How to instruct men in the operation of this equipment and to supervise their work; 5. The quality required in the product and how to maintain it; 6. What the production schedule is and how to get it out on time; 7. What the group bonus system of wage payment is and how it functions; 8. His personal responsibilities with reference to the job. By H. I. Abney. *The Foreman*, April, 1932, p. 7:1.

Benefit Systems and Incentives: *Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership*

For Group and Unemployment Insurance see Insurance Section

This Company Solved the Employee Loans Problem

In the Edward G. Budd Manufacturing Company profits from the sales of sweets and tobacco in the employees exchange are placed into a fund that is administered for the benefit of the employees. Since its inauguration in 1928 the exchange has done a volume of business totaling more than \$150,000. During this period more than

50 per cent of the employees have been relieved of difficulties ranging from foreclosure sales on their homes to payment of grocery bills. Loans are made without interest and are backed solely by the employee's work and reputation; some are investigated; but in most cases the loan is granted on the basis of the company's knowledge of the employee and the reasons back of the request. *Industrial Record*, March, 1932, p. 17:2.

Employment: *Classification, Selection, Tests, Turnover*

Employee Attitudes—Suggestions from a Study in a Factory

To secure a picture of the major influences affecting individual feelings and attitudes of a group of women factory workers, an investigation was undertaken which is reported in part. Work feelings and attitudes were tapped by questionnaire

and interview methods. Great care was taken to get the cooperation and trust of workers and supervisors. Purely statistical evaluation of the data is subordinated to more personal, not objectively provable "understandings" or interpretations based on insight into the whole picture. Some findings, however, were objectively verified.

In two departments all work conditions were fundamentally the same, with one exception—character of supervision. Great dissatisfaction in one department could only be explained by the unfortunate nature of the supervision there. It is significant that negative feelings aroused by poor supervision spread to other and unrelated matters. Some slight relationship was found between attitudes and measured

facts about the workers. Correlations between favorableness of attitudes and individual scores for emotional adjustment are low but positive. The data are analyzed to find the sorest spots of dissatisfaction and worry. Fear of lay-off or loss of job entirely is most pervasive. By Arthur W. Kornhauser and Agnes A. Sharp. *The Personnel Journal*, April, 1932, p. 393:12.

Research and Experiment

New England Firms Turn Out New Products

The New England Council's drive to get New England manufacturers to turn out new products as a stimulus to profits under depression conditions has met with considerable success. Inquiry among 105 of these manufacturers shows that 65 have

new products already on the market; 14 have new products in the research stage, and 8, new products in process of manufacture, to be announced when ready for the market. A list of these new products is given. By James W. Hook. *New England News Letter*, First April Issue, 1932, p. 1:4.

MARKETING MANAGEMENT

Can You Sell High Priced Goods in a Cut Price Market?

"Yes" says Société des Modes, composed of six of the leading wholesale millinery manufacturers. The simple cooperative marketing plan described is an example of what can be accomplished when members of the same industry work together in a constructive plan for trading up, instead of sacrificing profit in the ruthless price competition so prevalent today. By Merle Higley. *Sales Management*, March 26, 1932, p. 462:2.

Has Management Failed?

Management made a great many serious blunders during our Golden Era—blunders that are now being paid for; obviously our period of prosperity endured in spite of, rather than because of, management, and we shall have to organize our methods if we are going to prevent a return of pres-

ent conditions, says the President, Electric Hose & Rubber Company.

In spite of brilliant individual achievements, such practices as cut-throat competition and reciprocity volume have made the collective record of modern management a disgraceful history written in the red ink of billions of dollars' worth of profitless sales. By G. D. Garretson. *Sales Management*, April 16, 1932, p. 62:3.

An Approach to the Problem of Cost Finding in the Marketing of Rubber Footwear

By James F. Cullen. *N. A. C. A. Bulletin*, March 15, 1932, Sec. I, p. 929:15.

See Trend to Sales on Consigned Basis

Springing from a desire to get wider distribution, to maintain resale prices and in some instances to obtain higher wholesale quotations, consignment selling by

manufacturers in some fields is being adopted more widely, according to a canvass of opinion in various branches of industry. While no rapid expansion of this method of selling is in evidence, it was the belief of many that the trend is definitely in this direction and will be curbed only by a return of normal business conditions. At the present time the drug and cosmetic industry, the imported floor coverings trade, the paint business and the neckwear and shoe industries appear to show more favor to consignment sales. *The New York Times*, March 27, 1932, p. N 15.

Development of Standards for the Control of Selling Activities

The following suggestions are made:

1. Effective control of costs requires the development of standards against which results may be measured—and distribution costs are no exception to the general rule in this respect;
2. While a composite fixed standard for the enterprise as a whole is necessary, results of individual operations can be better interpreted through the use of supplementary flexible standards of the sort described in this paper;
3. A flexible standard can be developed most satisfactorily through recognition of the fact that costs are normally the product of a given quantity of material or service times the cost per unit of such material or service;
4. If the costs of distribution are analyzed according to functions performed, it is usually possible to determine appropriate units of functional service, and to develop standards for future operations

based on these unit costs and on the quantity of the functional service likely to be required;

5. A comparison of actual and anticipated performance, made at the end of a budget period, will be illuminating and effective if it is so prepared that variances between actual and anticipated can be accounted for in terms of number of units of service and cost per unit—i.e., through a standard which is sufficiently flexible to give due recognition to both factors.

By Howard C. Greer. *N. A. C. A. Bulletin*, March 15, 1932, Sec. I, p. 943:19.

Pencil Company Marks Off the Price-Cutters

An attempt by a single company to bring a whole industry into line, is the Eberhard Faber Pencil Company's pronouncement that it proposes to sell only to those who accept the creed it lays down. The company has pledged itself:

To sell only to distributors, not to consumers.

To restrict customers to distributors who resell at reasonable profits to themselves and other distributors.

To refuse merchandise to wholesalers who resell to consumers at prices unprofitable to Faber's retail trade.

To protect wholesalers by not selling to small retailers.

To refuse merchandise to any retailer whose prices are unprofitable to the rest of Faber's retail trade.

To see that each customer resells only to customers which his type of business entitles him to serve and at prices fair to the rest of that trade.

The Business Week, March 30, 1932, p. 9:2.

Sales Promotion: Letters, House Organs, Advertising

Ten Policies That Push Sales Ahead

Here is an attempt to analyze the details to which successful marketers pay attention. They are: 1. Questioning the

product, its market and its distribution; 2. Listening to the product's public, through trade ears or by direct contact; 3. Regarding advertising as only one of several causes

of the ultimate sale; 4. Setting the advertising appropriation by the task method, using per cent of business as a guide only; 5. Increasing the amount during hard times by a per cent sufficient to meet greater buying resistance; 6. Testing advertising to obtain some sort of substantiation of its correctness, independent of personal opinions; 7. Placing advertising where business has been or should be: avoiding locations where it is not, or cannot be; 8. Timing the advertising with seasonal demand; 9. Evaluating advertising media both by their cost and their proved coverage of customers; 10. Watching results, refusing alibis and learning by experience. By Kenneth Groesbeck. *Printers' Ink Monthly*, April, 1932, p. 17:4.

Frigidaire Widens Its Market

Frigidaire is the first of the larger mechanical refrigerator companies to tackle the under-\$3,000-a-year income market. Their new "Moraine Line" is being offered at prices ranging from \$130 to \$175. The dealer's ability to make a satisfactory profit on the new line is the keystone of the new sales plan, outlined here. By Lawrence M. Hughes. *Sales Management*, April 16, 1932, p. 66:4.

Selecting Markets Scientifically

Du Pont Cellophane Company has found that success in marketing a new product is often in inverse ratio to the number of obstacles to be overcome. If markets which offer few obstacles can be discovered, the selling job becomes easier than it would be in markets offering many hurdles. In introducing transparent cellophane, this company's objective has been to determine which markets offered fewest obstacles—those whose products most required visible protection. Therefore the program includes investigation as one of its important parts. The president of the company cites examples. By L. A. Yerkes. *Executives Service Bulletin*, March, 1932, p. 3:2.

Getting the Most Out of Sales Promotion

Many companies today are getting greater returns from sales promotion than ever before in their history. A survey of leading companies in diversified industries shows that they are basing their most effective promotion on close adherence to fundamentals. They are doing five basic things: 1. Finding out what sales conditions really are; 2. Ploughing their efforts deeper into old fields; 3. Using honest-to-gosh economy; 4. Selling more simply; 5. Making all their products pull together as a team. How such companies as Johns-Manville, American Radiator, The Philgas Co., The Maytag Co., have succeeded in these attempts is recounted. By Charles G. Muller. *Forbes*, April 1, 1932, p. 12:3.

This High Quota Not Just a Mark to Shoot At

Motor Improvements, Inc., expects to increase its replacement sales 25 per cent. This will be accomplished with a definite plan based on its previous years' experience. Here are the factors that will play a large part in the 1932 merchandising efforts of this company: 1. A distributor quota-bonus plan; 2. Complete service data for dealers; 3. Advertising to distributors and dealers; 4. Advertising to consumers; 5. Cooperation of salesmen with distributors; 6. Getting dealers to use the company's dealer help material; 7. Close cooperation with automobile manufacturers; 8. Obtaining new dealer outlets. They are discussed. By J. A. Graham. *Printers' Ink*, April 14, 1932, p. 17:3.

Purchasing Milk on a Quality Basis

Through a permanent bonus competition among its farmer-suppliers, the Midland Counties Dairy, Ltd., of Birmingham, England, is in constant control of milk quality and has found that, "in spite of the depression, sales have shown increases which even in normal times would be considered good." Mr. White states that "if any

moral can be drawn . . . it is: that it is better to increase the quality of the goods you sell than to cut the selling price." By Edwin White. *Executives Service Bulletin*, April, 1932, p. 7:2.

Policies That Made Chase & Sanborn a National Leader

In a little more than a year's time, Chase & Sanborn coffee sales jumped 300

per cent—and a brand that, in 1929, was only sectionally known, was nationalized and had become second in total sales volume to but one other manufacturer in the industry. The vigorous merchandising plan which was responsible for this remarkable record is outlined on these pages by the vice-president, Standard Brands, Inc. By Traver Smith. *Sales Management*, April 9, 1932, p. 34:3.

Salesmen: Selection, Training, Compensation

Sales Training Can Conquer Business Depressions

Fifty-six per cent sales increase in 1930; further increase of 30.9 per cent in 1931—major credit for this record is traced by the general sales manager, The Timken Silent Automatic Company, to the sales training plan described in this article. "We believe," he states, "that it is a company's obligation to its sales force to carry on a program of sales education . . . not spasmodically but continuously, because that is the only way to maintain an organization on a permanently high level of efficiency." By E. V. Walsh. *Executives Service Bulletin*, April, 1932, p. 5:2.

Selling Is a Lifetime Job at Seeman Brothers

If you mention "turnover on the sales force" at Seeman Brothers, the executives will ask, "What's that?" For here is a company that has no such problem. Men who join this concern stick and succeed. The reasons behind their loyalty and enthusiasm are explained in this article. By Etna M. Kelley. *Sales Management*, April 16, 1932, p. 64:3.

From Salary to Commission Without Disgruntled Salesmen

A unique compensation plan for salesmen introduced this year by Frederick Stearns & Co. incorporates four features of utmost importance: 1. It keeps faith with salesmen while making a major

change; 2. It bases salesmen's compensation on ultimate ideal costs; 3. It provides an incentive to push our most profitable lines; 4. It includes a temporary and voluntary non-chargeable subsidy. The plan is explained in some detail by the company's sales manager. By W. E. Bomar. *Sales Management*, March 26, 1932, p. 464:2.

Getting Leads for Salesmen

A collection of letters that have proved profitable in developing inquiries for salesmen and that also lend themselves easily to adaptation in any line of business.

In this group will be found letters written on specially designed letterheads which have proved effective in drawing attention to the sales message. Other letters by means of novelty enclosures have lifted the mailings from the "ordinary" class and secured effective hearings for them, while another has employed the questionnaire method to get a reply from the reader. There are still others that have secured results through the use of points that successfully meet the problems of existing conditions. *Dartnell Corp.*, April, 1932.

Selection and Training As Interdependent Factors in Motivation

Motivation is the product of two sets of conditions or factors, the one determined by selection, the other by training. These two sets of factors are the "non-work factors" and the "work factors."

Too little thought has been given to mo-

tivation in insurance agency building. In devoting their attention to problems of selection and training as independent, almost unrelated activities, many managers have failed to develop well balanced, profitable agency organizations. By putting motivation in the spotlight and by viewing selection and training as groups of in-

terdependent and inter-related activities, as continuous activities, and finally as integral and organic parts of the motivating function, better and more lasting results will come from managers' efforts to build successful sales organizations. By Thomas M. Stokes. *Manager's Magazine*, January-February, 1932, p. 6:4.

Buying, Receiving, Storing, Shipping

Cut These Two Distribution Costs— Transportation and Handling

When the manufacturer carries spot stocks in public warehouses and makes use of the accredited list, the following advantages may be said to accrue to him: 1. He avoids the transportation and handling costs incident to making many small shipments from the factory; 2. His market is always supplied with goods which have been placed at their approximate final destination before the sale has been made to the retailer or jobber; 3. Dealers always have goods on hand or easily obtainable within a few hours. This prevents the retailers from being out of stock and avoids lost sales and substitutions; 4. Large open accounts and consignment sales are avoided since dealers obtain the goods when they want them for immediate resale. This promotes dealer and manufacturer turnover,

both equally important; 5. The manufacturer has definite and absolute control over his sales. His sales figures are not inflated because orders come to the warehouses, and stocks are depleted therein, only as the goods are actually sold by the dealers. By John H. Frederick. *Marketing*, January 16, 1932, p. 31:2.

The High Cost of Small Orders

In the latter section of a two-part discussion of the increased cost of handling small orders, Mr. Knowlton considers standard case quantities, split case shipments and slow moving items—and proposes four direct methods by which the extra packing and shipping costs imposed by the small-order buying habit may be attacked. By Harry N. Knowlton. *Factory and Industrial Management*, April, 1932, p. 159:3.

Retailing

What Merchandise Managers Learned Last Year

The shrinkage of surplus and the passing of dividends make the making of a profit imperative;

That it is necessary to turn from profitless volume price promotions back to the idea of buying and selling for profit;

To get away from the lowest price lines and push medium-priced merchandise;

To produce profit and volume through item promotion;

To recover lost sales and goodwill through complete stocks of staple and wanted style-right merchandise;

To put more "sell" into the organization and into the advertising;

To revalue the buyer and his responsibility for results;

To realize the shorter selling life of merchandise and the value of low, complete stocks and fast turnover;

To develop a balanced job through painstaking attention to details in execution that

"will tax our capacity for hard work." By Byres Gitchell. *Retail Ledger*, February, 1932.

Power of 1932 Dollar Dramatized by Macy's

R. H. Macy & Co. is dramatizing the increased buying power of the dollar in a campaign which emphasizes greater values by comparisons with offerings of former periods. Comparisons are not applied to any one year, but to any year within two decades when an article of comparable quality and style sold at its high. Window displays show actual goods offered at present and former prices; price comparisons are dramatized by posters and displays inside the store; and newspaper ads and radio broadcasts extol the advantages of present values. *The Business Week*, April 13, 1932, p. 10:1.

Woolworth to Make 20 Cents Top Price in All 1,900 Stores

The new line of 20 cent merchandise experimentally introduced by F. W. Woolworth & Co. in more than 50 of its 1,900 chain variety stores has brought such definite and substantial increase in sales volume that it is expected that the price limit in all Woolworth stores will be raised to 20 cents.

Sales of 20-cent items during the trial period averaged 20 per cent of total volume, accounted for 30 to 70 per cent on specific lines of merchandise. In some stores 20-cent items produced material increases in daily sales volume, despite the fact that the general trend has been downward and sales for the entire chain during the first two months of 1932 were 4.7 per cent less than during the corresponding period of 1931. Preparations are under way to introduce the 20-cent lines in the company's 135 Canadian stores. *The Business Week*, April 13, 1932, p. 11:1.

Clearance Sales in Germany Restricted

Clearance sales in Germany may be advertised only if such sales have as their reason either the abandonment of an entire business or branch store, or the abolishing of a particular line of goods (effective April 1). In the latter case all advertisements of the clearance sale must state specifically what goods are being sold out. After the completion of such a sale the owner of the business will not be permitted for a period of one year thereafter to deal at the place where the clearance sale was held in any of the lines of goods concerned. By John H. Morgan. *Commerce Reports*, April 11, 1932, p. 113:1.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912,

of *The Management Review*, published monthly at New York, N. Y., for April 1, 1932.
State of New York, } ss.:
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared C. M. Rice, who having been duly sworn according to law, deposes and says that she is the Editor of *The Management Review* and that the following is, to the best of her knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation, etc.), of the aforesaid publication, for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

Editor—C. M. Rice, 20 Vesey Street, New York City.

Managing Editor—None.

Business Manager—W. J. Donald, 20 Vesey Street, New York City.

2. That the owner is: (If the publication is

owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below: if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

American Management Association, 20 Vesey Street, New York City.

W. J. Graham, President, 393 Seventh Avenue, New York, N. Y.

Harry B. Gilmore, Treasurer, 195 Broadway, New York, N. Y.

W. J. Donald, Managing Director, 20 Vesey Street, New York, N. Y.

Kenneth B. Andersen, Secretary, 20 Vesey Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of

the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is required from daily publications only.

C. M. RICE,
Editor.

Sworn to and subscribed before me this 19th day of March, 1932.

(Seal) AGNES M. GOGGINS
(My commission expires March 30, 1933.)

Survey of Books for Executives

Consumer Engineering. By Roy Sheldon and Egmont Arens. Harper & Bros., New York, 1932. 259 pages. \$3.50.

"Consumer Engineering" is an enticing expression to one who wishes to dignify his calling with a professional label. When the real estate agent hid his head under the sands of realtor he deceived no one else. One approaches this book with caution, therefore, lest he be caught by an advertising man's "gag." One finishes the book with relief, for not once do the authors pose as something they are not.

By allowing Mr. Caulkins, in the introduction, to define the term which he originated, the authors lead the reader on to discover in what new way this modern conception can be treated. Consumer engineering, Mr. Caulkins says, is, briefly, "shaping a product to fit more exactly consumers' needs or tastes, but in its widest sense it includes any plan which stimulates the consumption of goods." If Mr. Caulkins later (p. 11) shows his conception of such a plan to be mostly advertising and more advertising, he does not take us by surprise. Fortunately, the authors go on to demonstrate that their conception is built on broader lines which, carried to their logical limit, might not be too acceptable to Mr. Caulkins himself.

The book states well the field for the consumer engineer, even surmising that depressions would be no more were this profession common. The arguments for research and the use of facts are well emphasized. One is informed of an amaz-

ing array of organization and technique already in existence for discovering, predicting and promoting changes in consumer tastes and fashions. Though these are not as scientifically presented as they were by Nystrom several years ago, one can see that the same interesting sources have been tapped, and the story gains by its narrative style.

When the authors reach the chapter on the "artist" one is glad to learn of the facts; but one bristles a little at the rationalizing which claims a parallel between the modern industrial painter or designer and a Leonardo. If, indeed, the great Renaissance artists "helped to sell moral and religious ideas to the people in . . . glorious packages," surely even Messrs. Sheldon and Arens would not claim that that art sprang from or was fostered by the same motives as produced the girl of "schoolgirl complexion" or the toothpaste that "comes out like a ribbon." There may be nothing to apologize for in a painting for a 24-sheet poster but let us not call it art nor its producer an artist. For the irresistible impulse to expression is not back of it.

One other argument we have with the authors. This arises from the tone of the book which, while often professing a belief in treating the consumer fairly, nevertheless conceives of him always as legitimate prey for the exploiter. Fair treatment of this prey is good business, we are assured. The exploiter is to be convinced of this truth. But is that the

only reason the authors can find for the fairness? Take "obsolescence," for example. "Scratch a consumer," says Chapter III, "and you find . . . a fear of the workings of progressive obsolescence. The assumption in the popular mind that the consumer engineer will use every power of persuasion and strategy to put over a series of deceptions, tricks . . . is one of the most curious phenomena of modern psychology." The authors forget that the consumer was perfectly contented with obsolescence in most articles until our clever advertisers started making him discontented. Now, when we all face the very sternest realities, we see that most obsolescence was in itself a huge trick. Far from being a curious phenomenon, this has all the traditional aspects of a worm turning.

These two differences of attitude accepted, one must highly commend the book. Its facts are important, its analytical approach starting with the consumer, essential, its style highly readable, so that it should achieve a large audience. By placing the consumer engineer essentially in the heart of the advertising agency it goes to the core of the matter and relieves our mind of the fear that it will recommend a new group of consultants. Moreover, it thus clinches the argument for the fee basis of agency compensation without which a genuine consumer engineering attitude is impossible.

The book concludes with a paragraph of real inspiration. "The consumer engineer," it reads, "lives in a world full of men and machines, but sees no conflict between the two. . . . He has the advantage of being able to function anywhere in our present scheme without having the world remade before he can begin." Our practical thinkers are coming to realize that machines have altered not only our technique but our responsibilities.

GEORGE D. OLDS, JR.,
General Sales Manager,
The Hills Brothers Company.

An International Enquiry into Costs of Living. International Labour Office, Geneva, 1931. 209 pages. \$2.00.

An answer to the question, How much would a worker in the 14 leading industrial centers of Europe need to expend to maintain a standard of living approximately equivalent to that of a similar workman in Detroit? The Detroit standard was established by facts gathered in an extensive survey by the United States Bureau of Labor Statistics. The European surveys were conducted by the International Labour Office of the League of Nations. The annual earnings necessary to maintain the Detroit standard of living in such cities as Berlin, Frankfurt, Copenhagen, Stockholm, Paris, Antwerp, Rotterdam and Manchester are contrasted with the prevailing wages in terms of dollars. The percentage of increase in the prevailing wages in these cities needed to maintain the Detroit standard of living is shown to range from 10 per cent to 144 per cent.

A very helpful comparative study of the costs of living and standards of living of workers in various cities of the world.

The World Economic Crisis, 1929-1931. By Paul Einzig. Macmillan and Company, Limited, London, 1931. 165 pages. \$2.50.

The causes of the present economic depression are discussed in simple, non-technical language. The business cycle; the return to pre-war prices; over-production; under consumption; the monetary factor; disturbed equilibrium; the moral factor; over speculation; and Soviet activities are discussed as causes of the present crisis. The suggestion is made that producers may accelerate recovery by an all-round reduction of the costs of production and by drastically reconstructing their capital. Consumers may aid by increasing their purchases; and business houses by reducing their prices. In concluding, Dr. Einzig

stresses the point that if in the future we want to avoid a recurrence of the crisis, we must develop a system in which co-operation of every kind plays a much more important part than it did in our pre-war system. In the appendices the author discusses very briefly the crisis in Great Britain, the United States, France, Germany, Italy, Northern Europe, Central and Eastern Europe, other European countries, the British Empire, the East and in Latin America.

Comprehensive Propositions in Accounting. By Homer St. Clair Pace and Charles T. Bryan. Pace Institute Publishers, Inc., New York, 1931. 398 pages. \$4.50.

A novel method of elucidating principles of accounting has been used by the authors of this book which is designed as a text for students of accounting and for candidates who are preparing for C.P.A. and similar examinations. Twenty-four propositions based on business facts are solved in accordance with accepted principles of accounting or law. An explanation of the principles of accounting or law involved follows the solution of each problem. The idea underlying the method is that no effective separation of theory from practice can be made in the teaching of accounting.

The Problem of Unemployment. By Paul H. Douglas and Aaron Director. Macmillan, New York, 1931. 505 pages. \$3.50.

This volume is the result of a suggestion that there should be undertaken a comprehensive and continuing study of the problem of unemployment including the results of economic research and of practical measures for regularization which were being undertaken in various industries.

Partly it is a result of a very thorough and complete survey of all the existing literature on the subject, including fugitive reports of experiments in the regularization of employment in a hundred different industries. In a sense, the book is

also a program for further research which will be undertaken at Swarthmore College provided sufficient funds can be found for that purpose.

In parts the volume covers the extent and costs of unemployment, seasonal unemployment, technological unemployment and the fear of the limited market, cyclical unemployment, the placement of labor, unemployment insurance. One of the most interesting sections of the book is that on technological unemployment.

It is a very serious and thorough piece of work.

W. J. DONALD.

The Trained Woman and the Economic Crisis. A study made by the A. W. A. in co-operation with the President's Emergency Committee for Employment. American Woman's Association, New York, 1931. 102 pages.

The first personnel survey of women's work, wages and employment made by a woman's organization for the enlightenment and guidance of women with which the present reviewer is familiar appeared in 1885, under the auspices of the Association of Collegiate Alumnae. The last to come from the press is "The Trained Woman and the Economic Crisis."

This recent study, made by the American Woman's Association deals with high-class women who "have arrived" but who entered the business world from all levels of education. The summary of findings, comprising 102 pages, furnishes detailed information as to the collective working experience of 1937 New York business and professional women. It has a message for experienced women who have arrived as well as for experienced women who have not arrived. It offers valuable guidance material for young women entering the business field who hope to arrive in the fullness of years and for those who would aid both the young and the old in interpreting the economic conditions with which they must cope.

The study of 1885 reported the large majority of college trained women in teaching

and in social work. The 1931 study finds the cream of employed women still in teaching and in clerical work but it stresses a point which the reviewer has long felt was overlooked by college educators—that women are prone to underestimate the earning possibilities in clerical work. Very few women are reported in manufacturing industries either as administrators, operators or technicians. The survey suggests that there are indications that such occupations afford a real opportunity for trained women.

The highest earnings were found to be in law, purchasing, finance and lines where few women compete with men. The lowest in library, social work and lines where women compete with other women. Independent business women reported the largest salaries.

The entire study is replete with factual evidence relative to the extent of unemployment, age, education and length of service in reference to unemployment, and personal factors in relation to unemployment.

This reviewer considers the report an outstanding contribution to the still limited but increasing amount of literature available for counselors and individuals who are interested in the economic future of women wage earners.

ANNA Y. REED,
*Professor of Education,
New York University.*

Bank Administration. By James B. Trant.
McGraw-Hill Book Co., New York,
1931. 421 pages.

The closing of several hundred banks during the past few years gives stress to the need of a thorough study of banking problems. A large percentage of these failures has been due to outside causes and possibly cannot be laid to the door of management. Misconception on the part of the public of what the banking business is and what can be expected from it have been contributing factors of no small importance.

A book such as "Bank Administration" is, therefore, of timely value not only as a reference book for the banker, but particularly as a text for the student of banking.

There is much confusion and misunderstanding on the part of the public as to what the National and State requirements are, and what the powers and limitations of banks are, with respect to deposit banking, note issues, foreign exchange, the collection of items, the loaning and investment of funds, Trust Department functions and the part played by the Federal Reserve Bank in modern banking. All of these subjects are immensely interesting to the student and young banker.

The extension of credit is one of the most difficult problems of bank administration. In fact, the bank's continued existence depends upon how this phase is administered. Professor Trant devotes a great deal of his book to bank credit and the weight which must be given to various factors in extending credit. The responsibility and security of the immediate borrower is, of course, the prime consideration, but a proper distribution of loans with particular reference to industries, liquidity, eligibility and security are necessary for a diversified loan account.

A study of ratios forms a reliable guide in the matter of earnings, operating and expense ratios as well as diversification of loans. However, even more important are the ratios relating to liquidity and the proper conversion of deposits and other funds into a well balanced loan and investment structure.

Unfortunately there are a limited number of text books available on the subject of modern bank administration. General conditions and relationships between the banks and the public would doubtless be much improved today if there existed a better understanding of the management of banks as well as their proper functions and limitations.

RICHARD C. HUELSMAN, *Comptroller,
Guardian Detroit Union Group, Inc.*